



## Economic and Social Council

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### **Commission on Narcotic Drugs**

**Reconvened fifty-eighth session**

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Agenda item 3

**Policy directives to the drug programme of the United Nations Office on Drugs and Crime and strengthening the drug programme and the role of the Commission on Narcotic Drugs as its governing body, including administrative, budgetary and strategic management questions**

### **Commission on Crime Prevention and Criminal Justice**

**Reconvened twenty-fourth session**

Vienna, 10-11 December 2015

Agenda item 3 (b)

**Strategic management, budgetary and administrative questions: directives on policy and budgetary issues for the United Nations crime prevention and criminal justice programme**

## **Consolidated budget for the biennium 2016-2017 for the United Nations Office on Drugs and Crime**

### **Report of the Advisory Committee on Administrative and Budgetary Questions**

#### **I. Introduction**

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Executive Director on the consolidated budget for the biennium 2016-2017 for the United Nations Office on Drugs and Crime (UNODC) (E/CN.7/2015/17-E/CN.15/2015/20). During its consideration of the report, the Advisory Committee met with the Deputy Executive Director and other representatives of UNODC, who provided additional information and clarifications, concluding with written responses received on 26 November 2015.

2. The consolidated budget for the biennium 2016-2017 for UNODC is submitted to the Commission on Narcotic Drugs and the Commission on Crime Prevention and Criminal Justice, pursuant to General Assembly resolutions 46/185 C and 61/252, section XI. As indicated in paragraph 2 of the report of the Executive Director, the proposed budget of the programme of the Fund of the United Nations International Drug Control Programme and the United Nations Crime Prevention and Criminal Justice Fund (general-purpose funds) is presented to the Commissions for approval. The report also provides information on the budgets for the special-purpose funds and the related administrative and programme support costs (programme support



cost funds), which are presented to the Commissions for endorsement (*ibid.*, para. 2). Regular budget resources, submitted to the General Assembly in sections 16 and 23 of the proposed programme budget for the biennium 2016-2017 (A/70/6) are also reflected in the consolidated budget (E/CN.7/2015/17-E/CN.15/2015/20, para. 5).

3. As indicated in the report of the Executive Director, the programme of work of UNODC for the biennium 2016-2017 continues to be organized under nine subprogrammes, each of which falls within the current three-division organizational structure (*ibid.*, paras. 70 and 71). The report also indicates that the Office has responded to the growing demand for its services and a shrinking resource base for core programmatic support by establishing an integrated approach to programme planning, implementation and reporting based on the development of country and regional programmes, which allows it to respond to Member States' priorities in a more sustainable manner. These programmes leverage the normative and technical skills of the UNODC global programmes in specific geographic areas. Notably, this approach deepens the engagement with a wide cross-section of stakeholders from Member States, including academic, technical, political and civil society actors (*ibid.*, para. 67).

## II. Consolidated resource projections

4. Voluntary contributions to UNODC are budgeted and accounted for separately under the Fund of the United Nations International Drug Control Programme and the United Nations Crime Prevention and Criminal Justice Fund (*ibid.*, paras. 1 and 2). The financial position of the two funds is set out in annex III to the report. The Advisory Committee was informed that the focus of the consolidated budget for UNODC continues to be the general-purpose funds. The evolution of income and expenditure for general-purpose funds, special-purpose funds and programme support cost funds from 2010 to 2017 is set out in figures IV-VI of the report.

### *Income projections*

5. The Advisory Committee was informed, upon enquiry, that the consolidated income projection for the biennium 2016-2017 is in the amount of \$579.2 million, a reduction of \$14.8 million, compared with the revised projections for 2014-2015. The Executive Director indicates that general-purpose income continues to decline and that a decline of \$2.5 million, or 19.6 per cent, is anticipated for the biennium 2016-2017, given that the level of general-purpose income was \$13.0 million in 2014-2015. According to the Executive Director, special-purpose income is projected at a level of \$568.5 million for the biennium 2016-2017, which shows a continuing strong level of donor confidence that would lead to a higher level of programme delivery (see also para. 9 below). Programme support cost funds are projected at \$49.7 million in 2016-2017, an increase of \$2.1 million (4.4 per cent) compared with 2014-2015 (*ibid.*, paras. 24-28).

*Expenditure projections*

6. Resource projections<sup>1</sup> for UNODC for the bienniums 2014-2015 and 2016-2017 are provided in table 2 of the report of the Executive Director, a summary of which is set out in table 1 below.

Table 1

**Resource projections for 2014-2015 and 2016-2017**

(Thousands of United States dollars)

<i>Category</i>	<i>2014-2015 (revised budget)</i>	<i>2016-2017</i>	<i>2014-2015 (revised)</i>	<i>2016-2017</i>
General-purpose funds	15 875.5	9 587.2	43	29
Programme support cost funds	46 711.5	45 982.6	174	140
Special-purpose funds				
Drug programme fund	323 384.7	261 249.9		130
Crime programme fund	285 159.2	289 369.8	188	201
<b>Subtotal</b>	<b>608 543.9</b>	<b>550 619.7</b>	<b>306</b>	<b>331</b>
Regular budget	45 524.0	44 936.5	124	123
<b>Total</b>	<b>716 653.9</b>	<b>651 126.0</b>	<b>647</b>	<b>623</b>

7. As shown in table 1, according to the Executive Director, the total resource projection for the biennium 2016-2017 is in the amount of \$651,126,000, a reduction of \$65,527,900 compared with the revised projections for 2014-2015.

8. According to the Executive Director, resources in the amount of \$9.6 million are projected under the general-purpose fund in the biennium 2016-2017, which represents a reduction of 39.7 per cent compared with 2014-2015. The proposed reduction is attributable mainly to the following (*ibid.*, para. 45):

(a) The gradual transfer of six additional Field Office Representative posts to special-purpose funds, resulting in a reduction of \$3.2 million (*ibid.*, paras. 45 and 226);

(b) The transfer of eligible indirect overarching programme support functions to programme support cost funds, resulting in a reduction of \$2.0 million. This entails the transfer of three posts (1 D-1, 1 P-4 and 1 P-3) in the Office of the Executive Director and three posts (General Service (Other level)) in the Division for Management (*ibid.*, paras. 45, 106 and 256);

(c) The proposed conversion of the existing post of the Director of the Division of Operations (D-2) under subprogramme 8, Technical cooperation and field support, from general-purpose funds to the regular budget, resulting in a reduction of \$0.8 million (*ibid.*, paras. 45 and 216). The Advisory Committee provides its comments on the proposed conversion in its first report on the proposed programme budget for the biennium 2016-2017 (A/70/7, para. IV.153).

9. The total special-purpose expenditure of the drug and crime programme funds is projected at \$550.6 million, a 6.2 per cent increase compared with the final projected budget for 2014-2015. In this connection, the Executive Director indicates

<sup>1</sup> The projected expenditures for the general-purpose, special-purpose and support cost funds are indicated as resource projections for the respective funds in the report of the Executive Director.

that the projections of special-purpose expenditure was set to increase to \$608.5 million in the revised budget for 2014-2015; however, based on the capacity on the ground, the timing of contributions and project start-ups, the final projection for special-purpose expenditure for 2014-2015 is \$518.4 million (*ibid.*, para. 46).

10. The programme support cost resources are projected at \$46.0 million in 2016-2017, a decrease of 1.5 per cent compared with the revised budget for 2014-2015. The proposed budget for programme support cost funds reflects the continuous transition towards a revised funding model (*ibid.*, paras. 48 and 49) (see also paras. 19-22 below).

11. The regular budget resources of the United Nations under sections 16 and 23 of the proposed programme budget for the biennium 2016-2017 (A/70/6), reflected in the consolidated budget for that biennium for UNODC, are proposed at \$44.9 million (after recosting), a decrease of 1.3 per cent compared with 2014-2015.

12. Subsequent to the implementation of the International Public Sector Accounting Standards (IPSAS), the consolidated budget for the biennium 2016-2017 does not include the regular budget resources of the United Nations Office at Vienna submitted to the General Assembly in sections 1 and 29G of the proposed programme budget for that biennium, as those resources are reported under volume I of the Financial Statements of the United Nations Secretariat (E/CN.7/2015/17-E/CN.15/2015/20, paras. 5, 6 and 54). The Advisory Committee was informed, upon enquiry, that the financial statements for 2014 prepared under IPSAS for UNODC included the regular budget resources directly attributable to supporting the delivery of its programmes; consequently, the consolidated budget for the biennium 2016-2017 for UNODC reflects the regular budget resources of the United Nations under sections 16 and 23, while the smaller portion of the support provided by UNOV are reflected only in the financial statements.

#### *Staffing projections*

13. Staffing projections for UNODC for the bienniums 2014-2015 and 2016-2017 are provided in table 2 of the report of the Executive Director, a summary of which is set out in table 2 below.

Table 2  
**Staffing projections for 2014-2015 and 2016-2017**

<i>Category</i>	<i>2014-2015 (revised budget)</i>	<i>2016-2017</i>
General-purpose funds	43	29
Programme support cost funds	174	140
Special-purpose funds		
Drug programme fund	118	130
Crime programme fund	188	201
<b>Subtotal</b>	<b>306</b>	<b>331</b>
Regular budget	124	123
<b>Total</b>	<b>647</b>	<b>623</b>

14. As shown in table 2, 29 posts are proposed under general-purpose funds and 140 under programme support cost funds. The table also shows a total of 331 posts administered by UNODC under special-purpose funds as of September 2015. It is indicated in the report of the Executive Director that in addition to the posts funded from special-purpose funds included in the staffing tables, as of September 2015 there were 1,229 field office local positions (48 National Professional Officer and 78 Local level posts and 1,103 service contracts) administered by the United Nations Development Programme on behalf of UNODC. Many of those posts are of a temporary nature and their level is subject to frequent change.

*Programme delivery in the context of funding challenges*

15. The Executive Director indicates that in recent bienniums, UNODC has seen an exponential growth in the volume and scope of its technical assistance, contrasted with a persistent decline in general-purpose income and continuing pressure on the regular budget and programme support costs (*ibid.*, para. 8). In this connection, the Advisory Committee was informed, upon enquiry, that the demand of Member States placed on UNODC for assistance, expertise and development of standards is not matched by appropriate resources. The Committee was also informed of specific instances in which assistance provided by UNODC could not fulfil the existing demand from Member States, mainly due to resource constraints, including the following:

(a) In the field of anti-corruption, UNODC analysed 101 country reviews as of November 2015, of which 59 contained prioritized technical assistance needs, as identified by the relevant countries. However, UNODC could provide assistance to some 40 countries;

(b) Under its Global Programme for Combating Wildlife and Forest Crime, UNODC is unable to respond to the requests for assistance received from Asian and Latin American countries;

(c) In the field of terrorism prevention, the voluntary contributions for 2015 were earmarked mainly for technical assistance projects for specific regions and countries, leaving only limited funding available for other regions and countries that face serious challenges because of terrorism.

16. Regarding the delivery of technical assistance by UNODC, the Advisory Committee was informed that given the specific expertise and knowledge acquired by the Office, requests for technical assistance continue to grow in areas such as crime prevention and criminal justice, terrorism prevention and anti-corruption and in areas reflecting local priorities in related fields in specific countries. The Office continues to provide assistance at the global, regional and national levels through the frequent deployment of its headquarters-based staff to the field and through networks of field-based advisers at both the regional and national levels. Direct country-level assistance is also provided through regional platforms and capacity-building initiatives, which enable the sharing of good practices and lessons learned (see also para. 23 below). The Committee was also informed that UNODC had been able to engage consistently and develop long-term programmes in specific regions and countries,<sup>2</sup> and that its efforts had had positive outcomes.

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<sup>2</sup> North Africa, the Middle East, the Sahel, South-East Asia, South Asia and Nigeria.

17. Nevertheless, the Advisory Committee was informed that the over-reliance on extrabudgetary funding represented a challenge for long-term technical assistance planning and delivery, which had an adverse effect on the ability of UNODC to provide timely assistance upon the request of Member States. The low level of unearmarked resources and soft-earmarked funds for particular regions or programmes hindered the ability of UNODC to develop new programmatic actions in priority countries; address emerging issues; pursue partnership opportunities arising from ongoing programmes; and support Governments in their assessments and evaluations of national drug and crime control policies and strategies.

18. The Advisory Committee was also informed that UNODC had intensified its efforts to ensure a more diversified funding base, multi-year funding and the soft or non-earmarking of donor contributions and that such efforts had led to success in some instances. **The Advisory Committee notes the significant proportion of extrabudgetary resources and the related low level of unearmarked resources in the consolidated budget of UNODC and trusts that the Office will continue to make efforts to raise soft-earmarked or non-earmarked funds for its programmes. The Committee also encourages UNODC to explore opportunities to further broaden its donor base (see E/CN.7/2011/17-E/CN.15/2011/23, para. 11).**

### III. Funding model

19. As indicated in the report of the Executive Director, a revised funding model based on full direct costing was proposed for UNODC in the consolidated budget for the biennium 2014-2015. The model is aimed at the sustainable and predictable funding of programme delivery by means of: (a) addressing consistent classification of direct and indirect costs; (b) costing the direct implementation of UNODC programmes and projects; (c) aligning UNODC with other United Nations Secretariat entities on the use of programme support cost resources; and (d) ensuring the use of all funding sources for their intended purposes and eliminating cross-subsidization. To allow for a realistic pace in the application of the revised funding model, transitional measures were introduced for the biennium 2014-2015, and it has been proposed that they be extended until 2017 (E/CN.7/2015/17-E/CN.15/2015/20, paras. 10 and 18).

20. The Advisory Committee recalls that the revised funding model, proposed in the context of the consolidated budget for UNODC for the biennium 2014-2015, entailed transfers of expenditures from general-purpose funds to special-purpose and programme support cost funds and the transfer of expenditures from programme support cost funds to special-purpose funds (E/CN.7/2013/16-E/CN.15/2013/29, para. 12). In his current report, the Executive Director indicates the measures taken by UNODC during the biennium 2014-2015 to implement these transitional measures for the realization of the revised funding model (E/CN.7/2015/17-E/CN.15/2015/20, paras. 11-14 and 17-18). The measures included:

(a) The establishment by the Executive Director of the Senior-level Full Cost Recovery Monitoring Committee, which oversaw the progress of implementation, analysed challenges encountered, endorsed mitigation measures and enabled ownership across the organization;

(b) The close monitoring of the pace of transition, including the provision of greater support to individual offices facing greater transition challenges;

(c) Providing briefings on full cost recovery and engaging in individual consultations with donors, Member States and recipient countries;

(d) Ensuring a consistent and fair application of direct costing to all programmes, which required the creation of field office cost centres and ad hoc improvements in the legacy systems with cost management functionalities;

(e) Improving the guidelines for the use of general-purpose funds, in particular in view of the continuing decline in unearmarked funding;

(f) Applying full cost recovery to all donors alike through such measures as including in all new agreements, consistent clauses and direct cost implications.

21. The Executive Director indicates that one positive outcome of the revised funding model is a stronger cost conscious culture throughout UNODC. In this connection, he indicates for 2014-2015 savings of \$0.8 million under the general-purpose funds and of \$2.9 million under the programme support cost funds. A total net savings of \$1.4 million is also indicated for the field offices in the form of reduced direct costs incurred in servicing projects (*ibid.*, para. 15). Upon enquiry, the Advisory Committee was informed that the savings realized amounted to \$3.7 million at UNODC headquarters and \$1.4 million in the field offices. **The Advisory Committee recalls that it considers it important to achieve an improved balance between special-purpose and general-purpose contributions, not only to secure the financial health of the Office and ensure a sustainable financing model but, equally, as an expression of confidence by Member States and donors as to the policy framework and management of the programmes (E/CN.7/2009/14-E/CN.15/2009/24, para. 19).**

22. The Advisory Committee also recalls that the General Assembly, in its resolution 67/226, acknowledged the principle of full cost recovery and stressed the need to avoid the use of core/regular resources to subsidize non-core/extrabudgetary financed activities, including the use of core/regular resources to cover costs related to the management and support of non-core/extrabudgetary funds and their programme activities. **The Advisory Committee encourages UNODC to continue to develop a system of full cost recovery based on a clear and precise recognition of direct and indirect costs of its programmes and projects, monitor its implementation and present the outcomes both in operational and budgetary terms in the context of the next consolidated budget.**

#### IV. Other matters

##### *Harmonization of practices with other United Nations entities*

23. The Advisory Committee was informed, upon enquiry, that UNODC is fully engaged in the harmonization of its practices with other United Nations entities. In this connection, the Committee was informed of the instances of programmes undertaken by UNODC in cooperation with other United Nations entities at the global, regional and country levels. Through its global programmes, UNODC works in partnership with United Nations entities and specialized agencies, such as the

World Health Organization on the joint programmes on drug use prevention and care, the Department of Peacekeeping Operations in the justice sector and the secretariat of the Convention on International Trade in Endangered Species of Wild Fauna and Flora in the Global Programme for Combating Wildlife and Forest Crime. At its Regional Office for South-East Asia, for instance, UNODC has developed several mechanisms to ensure coherence and consistency in the region's operations, most notably a set of clear guidelines outlining operational procedures. At the country level, UNODC, as a member of the United Nations country teams, participates in the regional coordination efforts led by the United Nations Development Group and serves as co-chair in the country-level coordination mechanisms, including the theme groups on HIV/AIDS and on transnational organized crime. UNODC also participates in the development and implementation of the United Nations Development Assistance Framework in specific countries.

*Regional programme in the Middle East and North Africa region*

24. As indicated by the Executive Director, the Economic and Social Council, in its resolution 2009/23, requested him to give high priority to the implementation of the regional programmes of the Office and to report on progress made. In this connection, upon enquiry the Advisory Committee was provided with information regarding the Regional Programme on Drug Control, Crime Prevention and Criminal Justice Reform in the Arab States 2011-2015, which covers the Middle East and North Africa region. As an overarching framework for cooperation between the 17 participating States and UNODC, the regional programme focuses on three main subprogrammes: organized crime and terrorism, criminal justice and health. The Committee was also informed that contributions in the amount of \$53 million had been delivered for the programme; the contributions received from countries in the region for the regional programme are used exclusively for that purpose.